

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

EDUCATIONAL AND TREATMENT, INC.

June 30, 2005

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Release Date 2-22-06

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

We have audited the accompanying statement of financial position of Educational and Treatment Council, Inc. (a nonprofit organization) as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Educational and Treatment Council, Inc. as of June 30, 2004, were audited by other auditors whose report dated November 15, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educational and Treatment Council, Inc. as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with the *Government Auditing Standards*, we have also issued a report dated January 18, 2006, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Educational and Treatment Council, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


January 18, 2006

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2005 with Comparative Totals for 2004

				2005	2004
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 506,828	\$ 189	\$ -	\$ 507,017	\$ 358,825
Investments	498,070			498,070	429,306
Grants receivable	143,511			143,511	287,654
Prepaid expenses	16,636			16,636	14,937
Total current assets	1,165,045	189	-	1,165,234	1,090,722
Fixed Assets at cost (net of accumulated depreciation of \$824,577)					
	830,206			830,206	867,253
TOTAL ASSETS	\$1,995,251	\$189	\$ -	\$1,995,440	\$1,957,975
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	\$15,896	\$ -	\$ -	\$ 15,896	\$ 13,206
Interest payable	15,205			15,205	15,205
Accrued liabilities	22,861			22,861	8,900
Total current liabilities	53,962			53,962	37,311
Long-Term note payable	500,000			500,000	500,000
Net Assets					
Unrestricted:					
Operations	328,013			328,013	324,237
Appropriated-land, buildings and equipment	830,206			830,206	867,253
Board designated	283,070			283,070	228,930
Total unrestricted net assets	1,441,289			1,441,289	1,420,420
Temporarily restricted		189		189	189
Permanently restricted				-	55
Total net assets	1,441,289	189	-	1,441,478	1,420,664
Total liabilities and net assets	\$1,995,251	\$ 189	\$ -	\$ 1,995,440	\$ 1,957,975

See accompanying notes to financial statements

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005 with Comparative Totals for 2004

		Temporarily	Permanently	2005	2004
	Unrestricted	Restricted	Restricted	Total	Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS					
Contributions	\$ 7,087	\$ -	\$ -	\$ 7,087	\$ 8,957
In-kind contributions	23,336			23,336	19,447
Grants and contracts	1,532,306			1,532,306	1,456,653
Calcasieu Parish Police Jury					
Service Contract	429,872			429,872	432,447
Interest	10,257			10,257	6,780
Unrealized appreciation (depreciation)					
in investments	54,140			54,140	(15,510)
Miscellaneous	1,727			1,727	5,173
Special event (net of direct benefit costs)	9,660			9,660	10,751
Net assets released from restrictions:					
Expiration of time restrictions	55		(55)		
Total public support, revenues and reclassifications	2,068,440	-	(55)	2,068,385	1,924,698
EXPENSES					
Program Services					
Residential Services	941,094		-	941,094	907,867
Community Program Services	1,106,477			1,106,477	1,071,187
Total expenses	2,047,571	-	-	2,047,571	1,979,054
Change in net assets	20,869	-	(55)	20,814	(54,356)
Net assets, beginning	1,420,420	189	55	1,420,664	1,475,020
New assets, ending	\$1,441,289	\$ 189	\$ -	\$1,441,478	\$ 1,420,664

See accompanying notes to financial statements

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2005 with Comparative Totals for 2004

	Program Services		2005	2004
	Residential	Community		
	Services	Program	Total	Total
		Services		
Salaries	\$ 578,667	\$ 712,336	\$ 1,291,003	\$ 1,232,037
Payroll taxes and fringe benefits	81,798	88,370	170,168	180,165
Total personnel	660,465	800,706	1,461,171	1,412,202
Advertising	1,879	1,059	2,938	2,423
Client activities	58	23,612	23,670	14,797
Contractual Services	6,298	30,562	36,860	36,607
Data Processing	3,009	2,338	5,347	7,583
Dues and subscriptions	737	787	1,524	1,713
Educational	532	-	532	532
Food	42,702	-	42,702	45,906
Housekeeping supplies	6,134	-	6,134	11,357
In-kind services	1,093	-	1,093	3,275
In-kind supplies	22,243	-	22,243	16,172
Insurance-Workman's Compensation	7,798	7,798	15,596	16,434
Insurance-Commercial Property	7,347	8,076	15,423	15,292
Insurance-Liability	11,698	19,980	31,678	27,388
Insurance-Motor Vehicle	7,641	17,329	24,970	21,168
Insurance-Other	1,145	1,145	2,290	2,330
Interest	6,750	18,250	25,000	25,000
Janitorial services	12,401	7,532	19,933	24,384
Licenses	384	602	986	905
Medical services	1,167	-	1,167	4,425
Miscellaneous	4,449	1,950	6,399	3,021
Motor vehicle	1,930	8,308	10,238	11,247
Office supplies	5,535	11,729	17,264	16,300
Personal client needs/clothing	7,521	-	7,521	6,964
Printing	587	414	1,001	686
Postage	1,174	1,676	2,850	3,905
Professional services	4,250	4,250	8,500	12,680
Public relations	335	282	617	196
Recreational	7,516	2,753	10,269	5,072
Rent		24,000	24,000	24,000
Repairs & maintenance-building and grounds	9,980	1,845	11,825	8,724
Repairs & maintenance-equipment	3,596	3,916	7,512	10,246
Supplies	3,916	597	4,513	2,803
Telephone	7,063	20,338	27,401	23,794
Therapeutic supplies	2,078	1,937	4,015	1,981
Travel and training	10,700	46,062	56,762	52,433
Utilities	31,084	14,745	45,829	38,927
Total expenses before depreciation	903,195	1,084,578	1,987,773	1,912,872
Depreciation	37,899	21,899	59,798	66,182
Total expenses	\$ 941,094	\$ 1,106,477	\$ 2,047,571	\$ 1,979,054

See accompanying notes to financial statements

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF CASH FLOW

For the Year Ended June 30, 2005 with Comparative Totals for 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 20,814	\$ (54,356)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	59,798	66,182
Realized (gain) loss on investments	(54,140)	15,510
(Increase) decrease in grants receivable	144,143	(85,784)
(Increase) in prepaid expenses	(1,700)	(8,801)
Decrease in interest receivable	-	1,490
Increase in accounts payable	2,690	9,898
Increase (decrease) in accrued expenses	13,961	(17,119)
(Decrease) in deferred revenue		(13,323)
Net cash provided by (used in) operating activities	<u>\$ 185,566</u>	<u>\$ (86,303)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds certificate of deposits matured	100,376	417,408
Purchase of certificate of deposit	(115,000)	-
Purchase of equipment	<u>(22,750)</u>	<u>(5,244)</u>
Net cash provided by investing activities	<u>(37,374)</u>	<u>412,164</u>
Net (increase) in cash and cash equivalents	148,192	325,861
Cash and cash equivalents, beginning of year	<u>358,825</u>	<u>32,964</u>
Cash and cash equivalents, end of year	<u><u>\$ 507,017</u></u>	<u><u>\$ 358,825</u></u>
SUPPLEMENTAL DATA		
Interest paid	<u>\$ 25,000</u>	<u>\$ 25,000</u>

See accompanying notes to financial statements

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Educational and Treatment Council, Inc. (ETC) is a nonprofit corporation organized in 1974 under the laws of the State of Louisiana, for the purpose of serving children, adolescents, families, individuals, and communities within the five-parish area of Southwest Louisiana, through comprehensive counseling services, crisis services, prevention services, community education and residential services for youth. Educational and Treatment Council, Inc. provides prevention and intervention services that address issues affecting at-risk youth and their families. All services are available at no cost to clients.

Harbour House, a program of Educational and Treatment Council, Inc., is a 20-bed emergency shelter for children and youth ages 3-17 years old. The shelter serves abused and neglected children, foster children, runaway and homeless youth, status offenders, and other youth in need of a safe place to stay. Harbour House also provides brief respite for children of families in crisis to ensure safety and reduce stress. In addition to short-term residential care, other services provided include education, counseling, assessment, and referral. Established in 1985, Harbour House is licensed by the State of Louisiana as an emergency shelter for children. The average length of stay for residents is 14 days; the maximum length of stay is 105 days.

Community-based services of Educational and Treatment Council, Inc. include in-home crisis counseling, child abuse prevention and intervention, home visitation, case management, planned respite, and outpatient substance abuse treatment for juveniles.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Support and Revenue

Contributions directly from the public are generally available for unrestricted use unless specifically restricted by the donor.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. A substantial number of volunteers have donated significant amounts of time to the Council's program services and to its fund-raising activities. The value of this time has not been reflected in the financial statements since it is not susceptible to objective measurement or valuation.

Endowment contributions are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

The Council considers accounts receivable to be fully collectible since the balance consists principally of payments due under federal and state governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

Concentration of Credit Risks

The Council maintains cash accounts at various financial institutions that provided federally insured limits up to \$100,000. At June 30, 2005, all cash accounts were fully insured by the Federal Deposit Insurance Corporation.

Investments

Investments consist of cash deposits with maturities of greater than three month at time of purchase.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Council considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Income tax status

Educational and Treatment Council, Inc. is a nonprofit organization as described under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. In addition, the organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Property and equipment

Property and equipment is stated at cost or fair market value at date of donation for in-kind contributions. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation amounted to \$ 59,798 for the year ended June 30, 2005, and is calculated on the straight-line method based on the estimated useful lives below:

Buildings	30 years
Furniture, fixtures and equipment	5 – 10 years
Transportation equipment	5 years
Leasehold improvements	15 years

The Organization follows the practice of capitalizing all property and equipment in excess of \$500.

Functional Allocation of Expenses

Expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Council estimates of the relative proportion of various staff members' time and effort between programming and administrative functions.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE B – DONATED MATERIALS AND SERVICES

Included in contributions revenue and program expenses is the estimated value of donated materials, equipment and volunteer hours of \$ 23,336. Contributed services were used for shelter program activities and clerical activities.

NOTE C - INVESTMENTS

As of June 30, 2005 the cost and market value of investments are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	\$215,000	\$215,000
US Treasury Strips	<u>150,440</u>	<u>283,070</u>
Total investments	<u>\$365,440</u>	<u>\$498,070</u>

NOTE D – FIXED ASSETS

The following is a summary of property and equipment as of June 30, 2005

	<u>Cost</u>
Land	\$ 25,000
Buildings	1,109,832
Improvements	31,481
Transportation equipment	103,794
Furniture and fixtures	319,384
Equipment	<u>65,292</u>
	1,654,783
Less Accumulated Depreciation	<u>824,577</u>
	\$ <u>830,206</u>

NOTE E – BOARD DESIGNATED UNRESTRICTED NET ASSETS

Board designated unrestricted net assets as of June 30, 2005, are funds set aside for future payments of long-term debt.

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2005 are available for the following purposes or periods:

Runaway Youth Act Program	\$ <u>189</u>
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EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE G – PERMANENTLY RESTRICTED NET ASSETS

Property acquired with federal and community development grants is considered owned by the Council while used in the program for which it was purchased or in other future authorized programs; however, the United States and other grantor agencies have reversionary interests in certain property. Its disposition as well as the ownership of any proceeds there from is subject to government regulations. As of June 30, 2005 the total carrying value of property and equipment in which the United States and other grantor agencies have reversionary interest was \$ - 0-.

NOTE H – COMMITMENTS AND CONTINGENCIES

The Council receives a substantial amount of its support from state and local government. A significant reduction in the level of this support, if this were to occur, may have an effect of the programs and activities.

The Council is a defendant in a lawsuit. The Council maintains a million dollar liability insurance policy to cover such events. The plaintiffs have agreed to settle the lawsuit. The settlement of \$55,000 will be equally split between the State of Louisiana and the insurance company.

NOTE I – RETIREMENT COMMITMENTS

All employees of the Council are members of the Federal Social Security System. The Program contributes 7.65% of gross salaries up to appropriate statutory limits to that system. The Federal Social Security System administers the plan and pays benefits.

NOTE J – TAX-DEFERRED ANNUITY PLAN

The Council participated in a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time and thirty-two hour part-time employees who have completed three months of service. The Council contributes for each eligible participant in an amount determined by the employee. Employees who have completed one year of service are eligible for the employer match contribution. On January 1, 2002, the Board of Directors adopted an employer contribution of 25% of an employee's contributions not to exceed 5% of the employee's annual salary. Employees may make contributions to the plan up the maximum allowed by the Internal Revenue Code if they wish. Plan expenses were \$4,496 for the year ended June 30, 2005.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE K – SICK AND VACATION PAY

The first six months of employment are considered a probationary period during which time sick and vacation leave accrues at one day per month worked. Any days missed during this period are treated as noncompensatory leave. Termination of service with the Council during this period results in forfeiture of all accrued sick and vacation leave.

After the probationary period, full time employees begin accruing sick leave at the rate of one day per month. This accrual of sick leave shall continue until the employee has accrued a maximum of 30 days sick leave. After this maximum has been achieved, no further sick leave shall be accrued until the balance is reduced below 30 days. Any employee terminating agency service shall not be compensated in any form for any unused accrued sick leave. Therefore, no liability has been accrued for these benefits.

After the probationary period, full time employees begin accruing annual leave at the rate of one day per month up to twelve (12) days annual leave each year of employment. After three years of service, the annual leave increases one day for each additional year of service up to a maximum of twenty (20) days per year.

Any unused annual leave at June 30th of each year shall be reduced to zero unless the Board authorizes carryover. The dollar value of accrued leave at June 30, 2005 was \$7,706.

NOTE L – LONG-TERM DEBT

Long-term debt at June 30, 2005 consists of:

Note payable to Brown Foundation, Inc. due November 11, 2018,	
Plus interest payable annually at 5%, secured by a building	<u>\$ 500,000</u>

A requirement of this note is that a sinking fund must be established by year 2002. Annual payments are payable into the sinking fund for years 2002 through 2017 in a sum sufficient to insure, when the final payment becomes due, the sinking fund will be able to repay the entire principal sum due. An investment designated by the Board as the sinking fund with a balance of \$ 283,070 at June 30, 2005 has been made to pay off this debt at maturity (see Note E). The investment is a zero coupon bond set to mature for \$500,000 at November 8, 2018 and to fully pay the long-term debt. There is no future sinking fund or debt service funding requirements.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE M – OPERATING LEASE COMMITMENT

The Council leases office space under an operating lease expiring August 31, 2005. Rental expense under operating lease as of June 30, 2005 was \$24,000.

NOTE N – JUVENILE SERVICES TAX

On May 5, 1984, the property owners of Calcasieu Parish passed the Juvenile Detention, Probation and Services Tax. The Juvenile Services tax was approved by voters for 2.4 mills for a ten year period. The tax was renewed by parish voters in 1994 and 2004.

The Calcasieu Parish Policy Jury (Police Jury) shall pay as soon as ad valorem taxes are received by the Parish Police Jury a sum equal to an amount stated in a contract for services between the Police Jury and Educational and Treatment Council, Inc. For and in consideration of the payment of the contract amount, the Council shall provide juvenile services without further cost to the Court of the Calcasieu Parish Police Jury for emergency shelter to children and youth as described in NOTE A.

Amounts paid under the contract for the year ended June 30, 2005 were \$429,872.

NOTE O – LETTER OF CREDIT

Educational and Treatment Council, Inc. entered into an agreement with the J P Morgan Chase, NA to obtain a stand-by letter of credit and security agreement. The letter of credit is secured by assignment of certificate of deposits with Chase in an amount of \$ 15,000 as of June 30, 2005. The letter of credit is available in an amount not to exceed \$13,400.

NOTE P – 2004 FINANCIAL INFORMATION

The financial statements include certain prior –year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended June 30, 2004, from which the summarized information was derived.

Stulb & Associates, APAC

Certified Public Accountants

James F. Stulb, C.P.A.

Kristine S. Carter, C.P.A.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Educational and Treatment Council, Inc. (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated January 18, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matter involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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This report is intended for the information of the board of directors, management, the legislative auditor, and federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

Stulb & Associates

January 18, 2006

Stulb & Associates, APAC

Certified Public Accountants

James F. Stulb, C.P.A.

Kristine S. Carter, C.P.A.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

Compliance

We have audited the compliance of Educational and Treatment Council, Inc., (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB Circular A-133) Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards of the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and perform such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, Educational and Treatment Council, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

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Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the board of directors, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Stulb & Associates".

January 18, 2006

EDUCATIONAL AND TREATMENT COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2005

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Educational and Treatment Council, Inc.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Educational and Treatment Council, Inc. were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for major federal award programs for Educational and Treatment Council, Inc. expresses an unqualified opinion on all major federal programs.
6. The audit disclosed no audit findings relating to major programs.
7. The programs tested as major programs included:

U.S. Department of Agriculture
National School Lunch Program
CFDA 10.555

U.S. Department of Housing and Urban Development
Emergency Shelters Grants Program
CFDA 14.231

U.S. Department of Justice
Drug Program
CFDA 16.585

U.S. Department of Health and Human Services
Basic Center Program for Runaway & Homeless Youth
CFDA 93.623

Office of Public Health
CFDA 93.994

Office of Mental Health
CFDA 93.958

8. The threshold for distinguishing Types A and B programs was \$500,000.
9. Educational and Treatment Council, Inc. was determined to be a low-risk auditee.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

June 30, 2005

CURRENT AUDIT

There were no reportable conditions or questioned costs.

PRIOR YEAR AUDIT

There were no reportable conditions or questioned costs.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Year Ended June 30, 2005

We have audited the compliance of Educational and Treatment Council, Inc., (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated January 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of January 18, 2006, resulted in an unqualified opinion.

Section I – Summary of Auditor’s Results

Report on Internal Control and Compliance Material to the Financial Statements

Internal control

Material weakness _____ Yes X No

Other conditions _____ Yes X No

Compliance

Compliance material to financial statements _____ Yes X No

SUPPLEMENTAL INFORMATION

EDUCATIONAL AND TREATMENT COUNCIL, INC.

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

June 30, 2005

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CDFA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
United States Department of Agriculture			
Passed through Louisiana Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	\$ 24,503
United States Department of Housing and Urban Development			
Passed through Louisiana Department of Social Services and City of Lake Charles:			
Emergency Shelter Grants Program	14.231	12714	2,829
United States Department of Justice			
Passed through Calcasieu Parish Police Jury			
Drug Program	16.585	N/A	87,003
United States Department of Education			
Passed through Lafayette Parish School Board			
Homeless Children & Youth Education Program	84.196A	N/A	0
United States Department of Health and Human Services			
Basic Center Program for Runaway & Homeless Youth	93.623	G064224	117,500
Passed through Louisiana Department of Health and Hospitals			
Office of Mental Health	93.958	594748	134,005
Office of Public Health	93.994	601704	24,337
Passed through Louisiana Department of Social Services, Office of Community Development			
Title IV-B Part 2	93.556	587440	375,700
Office of Child Support	93.558	594290	
Children's Trust Fund	93.590	00288 & 600287	13,279
Adoption Respite	93.652	604286	27,000
Total Federal Awards			<u>\$ 806,156</u>

See accompanying notes to financial statements